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TREASURY FOR OASIA/WINSHIP AND PISA  
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF  
GOVERNORS, SAN FRANCISCO FRB/TERESA CURRAN, AND NEW YORK FRB MARI  
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SUBJECT: Taiwan's February Trade Figures Show Continued Weakness in Exports

#### SUMMARY AND INTRODUCTION

1. (U) Taiwan exports again took a tumble in the first two months of 2009. Although the decline in February (28.6% y-o-y) was substantially less than the 44.1% drop in January, this is largely due to the fact that the week long Lunar New Year holiday fell in January 2009 rather than in February as in 2008. Exports have not hit bottom. END SUMMARY AND INTRODUCTION.

#### True Picture

2. (U) To iron out the holiday factor, it may be best to look at the combined numbers for January and February. Taiwan's exports in these two months totaled US\$25 billion, down 37% y-o-y compared to a contraction of 25% in the fourth quarter (Q4) of last year. Imports in January-February were US\$20 billion, down 45.6%, which is nearly double the contraction of 23% in Q4 last year.

#### Falls in Shipments from Taiwan to Developed Markets

3. (U) Weak demand for Taiwan products from major developed economies caused direct shipments from Taiwan to these markets to fall. In the first two months of this year, shipments to the United States dropped 26% to US\$3.8 billion, to the EU 33% to US\$3.0 billion, and to Japan 14% to US\$2.2 billion.

4. (U) Shipments to Taiwan's offshore export bases plunged even more. Shipments to China (including Hong Kong) fell 44% to US\$8.7 billion. Shipments to ASEAN dropped 45% to US\$3.4 billion. Most of these exports are likely intermediate goods eventually re-exported to other markets.

#### Fewer Investment Cuts in Capital Goods Imports

5. (U) Taiwan manufacturers report hefty inventory and low capacity utilization rates. These rates have fallen below 50% for the DRAM and flat panel industries. Reduction in capital expenditure contributed to a 40% cut in capital goods imports to US\$3.2 billion in the first two months of this year. Imports of raw materials and intermediate goods also dropped 50% to US\$8.1 billion. The cause for the drop was steady declines in energy, metal, and grain prices.

Taiwan's imports from Saudi Arabia in January-February, for example, plunged by half.

COMMENT

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[16](#). (U) As world growth falters, Taiwan export-reliant economy continues to suffer. The export picture remains bleak, and prospects for a turnaround are dim until it brightens. END COMMENT.

YOUNG